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CENTRAL INTELLIGENCE AGENCY

## INFORMATION REPORT

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1. The USSR has proposed to the Chinese Communist government in Peiping to purchase all surpluses of minerals in China. Prices will be determined by the market price at the time of shipment. Payment will be preferably in Soviet goods at preferential prices or in gold, if demanded.
2. The USSR will sell on world markets any minerals it does not need. These will not be shipped to or held in the USSR for future resale at higher prices, but will be drawn from current Chinese production and sold to foreign firms through Soviet representatives in China.
3. In return for the monopoly on Chinese mineral exports, the USSR is willing to provide technical help to increase mine production and metallurgical plants.
4. The Chinese Communist government is seriously considering the plan but is suspicious even of a deal which appears advantageous. For example, despite Soviet assurances to the contrary, the Communist government fears that the USSR would buy tungsten at a low price and resell when higher.

Comment.

The agreement would give the USSR 11,500 metric tons of tungsten concentrates, 7,000 metric tons of tin, and 3,500 metric tons of antimony per year according to the June 1949 rate of production, which could be increased.

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